

## FINANCIAL CONDITION AND TRENDS

One method of measuring the Village's financial condition is to compile financial ratios based on publicly available data and evaluate Barrington's performance compared to the average for other groups of municipalities. The Ten Point Test of Financial Condition, which compares the Village to three groups of other municipalities including the Village's Comparable Communities, all municipalities in Cook County of a similar size, and all municipalities in Illinois of a similar size, was developed for this purpose.

<b>Ten Point Test of Financial Condition<sup>(1)</sup></b>						
	-----Fiscal Year 2000 Data-----					Desired Tendency
	Village of Barrington FY 2001	Village of Barrington FY 2000	Comparable Communities <sup>(2)</sup>	Cook County Municipalities <sup>(3)</sup>	All Illinois Municipalities <sup>(3)</sup>	
Total Govt Fund Revenue / Population	\$1,557	\$1,616	\$823	\$807	\$724	High
Local General Fund Revenues / Total General Fund Revenues	95.27%	94.64%	84.19%	84.53%	82.08%	High
Other Fund Sources / General Fund Sources	0.00%	0.00%	2.14%	5.96%	4.06%	Low
Operating Expenditures / Total Expenditures	74.19%	77.93%	83.78%	86.47%	87.55%	Low
Total Govt Fund Revenue / Total Govt Fund Expenditures	97.05%	122.32%	100.91%	97.13%	101.30%	High
General Fund Year-End Balance / Total General Fund Revenue	74.78%	56.54%	62.05%	37.09%	46.31%	High
G.F. Cash & Short Term Invest / G.F. Liabilities	697.05%	551.91%	429.33%	250.36%	340.89%	High
General Fund Liabilities / Total General Fund Revenues	8.14%	8.04%	12.86%	14.24%	12.47%	Low
General Obligation Debt / Population	\$962	\$1,000	\$387	\$396	\$320	Low
Debt Service / Total Govt Fund Revenue	6.17%	8.07%	7.08%	10.84%	9.73%	Low

(1) The Data are based on FY 2000, the latest data available from the State of Illinois Comptroller's Office. All Data herein are compiled from Annual Financial Reports publicly available on the Illinois Comptroller's Office Web Page.

(2) Comparable Communities include all of the communities the Village Uses as a comparison for its Compensation Plan. These Communities were chosen due to their similarity to Barrington in Population and Economic Characteristics.

(3) These columns include all municipalities in the indicated region with Populations between 9,250 and 23,250. These Population amounts were chosen because they are equivalent to the minimum and maximum populations of the Village's comparable communities.

Based upon the above indicators, the Village appeared to be in fairly good financial condition at the end of both fiscal year 2000 and fiscal year 2001. When measured against the Comparable Communities, Cook County municipalities, and State of Illinois municipalities, the Village compared favorably on all but one ratio and had a positive tendency exceeding the average on nine out of the ten ratios.

As demonstrated by the Ten Point Test, the Village has more General Obligation Debt per Resident than the average for the other groups of municipalities. In 1998 and 1999 the Village issued, as authorized by referendum, General Obligation Debt to finance the construction of Village Facilities, including a Village Hall and a Public Safety Facility. The issuance of this debt was a unique occurrence necessitated by these projects; no new General Obligation Debt issues are proposed in 2003 or 2004. As indicated in the chart, the amount of debt per resident is declining and will continue to decline in future years as the Village retires the

debt incurred to finance these facilities. Although the Total Debt per Capita is higher than the comparison groups, as noted in the chart, Debt Service as a percentage of Total Governmental Revenue is much more in line with the averages of the other groups of municipalities and in two of the three categories it is two to three percentage points lower. This indicates that the amount of debt being carried is not overburdening the Village.

### *Financial Trends*

The Village of Barrington is reliant on revenue from a combination of sources, including:

- Property Taxes
- Sales Tax
- Other Taxes
- Licenses and Permits
- Intergovernmental
- Charges for Services
- Fines and Forfeits
- Village Property Usage
- Investment Income
- Miscellaneous

These sources of revenue can be classified into two types, elastic revenues and static revenues. Elastic revenues increase or diminish readily in response to the overall economic environment or another stimulus. Static revenues usually increase or decrease in a steady, predictable fashion because they are based on a stable underlying source. A description of Village revenues and their classification as either elastic or static follows:

- Property Taxes – Property Taxes can be classified as a static revenue source because they are reliant on the underlying value of the real estate that is located in the Village (real estate values are inelastic because they tend to vary in response to long-term economic trends rather than short-term economic variations). The methodology for assessing property and levying taxes is established by the State of Illinois. In all Counties, with the exception of Cook, all property (Industrial, Commercial and Residential) is assessed at 1/3<sup>rd</sup> of its market value. In Cook, Industrial and Commercial properties are assessed at a higher % than residential properties. Regardless of the county, calculations are done annually to determine if property within a geographical area are being assessed at the appropriate % of market value. If not, an equalization factor is applied to the assessed value of the property – establishing the Equalized Assessed Value (EAV) of the property. The equalized assessed value of the property is then divided by 100 and multiplied by the Property Tax Rate, which generates the taxes owed. In the case of non-home rule municipalities, additional regulations established by Statute, including rate limits and tax caps, may apply.
- Sales Tax – The Village's Sales Tax revenue is classified as elastic revenue because it is dependent on the value of the goods and services sold by businesses in the Village. The economic environment in the Village, region, State, and Country has a strong effect on the value of sales of goods and services in the Village. The Village's Sales Tax revenue is particularly elastic because it is highly dependent on one industry, automobiles. In a typical year, automobile sales are responsible for 60% to 70% of the Sales Tax received by the Village. Sales Tax Revenue comprises approximately 35% to 40% of General Fund Revenue thereby making the General Fund particularly vulnerable to the economic environment.
- Other Taxes – Other Tax Revenue can be classified as an elastic revenue because it is dependent on the receipt of taxes by the State of Illinois. Other Taxes are those portions of taxes that are shared with the Village by the State of Illinois; the largest portion of Other Tax revenue for the Village includes the Income Tax, the Use Tax, and the Replacement Tax. These three tax sources tend to vary significantly depending on the economy and therefore so does the Village's share of these taxes.

- Licenses and Permits – License and Permit revenues are also an elastic revenue source for the Village. These revenues are largely derived from the development and construction activity occurring within the Village. Development and construction are heavily dependent on economic conditions (although these may vary from the state of the overall economy as is the case in 2002 with the strong Housing Market but weak overall economy).
- Intergovernmental – Intergovernmental revenues are elastic because they are derived from grants and contributions from other levels of government. If other levels of government choose to eliminate a grant funding source, these monies are no longer available.
- Charge for Services – Charges for Services can be considered a static revenue source for the Village. The Village's Charges for Service revenue is largely derived from two sources, intergovernmental shared service agreements (including the agreements with Barrington Countryside Fire Protection District and Inverness) and utility revenues. The intergovernmental agreements include payments for services from other governmental entities whose primary source of revenue is Property Taxes. Utility revenue is static because no matter the economic conditions, customers will continue to utilize the services provided by the Utilities. Charges for Services are a very important revenue source for the Village because they offset the volatility inherent in its major elastic revenue source, Sales Tax.
- Fines and Forfeits – Fines and Forfeits tend to be a static revenue source because they are derived from fines for traffic or ordinance violations. The Village typically receives a fairly steady flow of income from this source.
- Village Property Usage – The revenues from Village Property Usage are derived mainly from the rental of Village property or land. The Village classifies these as a static revenue source because the lease agreements usually provides for the payment for a set amount of time and the Village can count on revenue from that agreement for that period of time (the main exception would be a company or individual who is renting Village property and goes bankrupt).
- Investment Income – Investment Income is an elastic revenue source because it is dependent on the interest rates the Village can obtain.
- Miscellaneous – Miscellaneous makes up a very small portion of Village revenue and is classified by the Village as an elastic revenue. Typical revenue sources include reimbursements or project contributions from other governments, organizations, or individuals. These revenues vary substantially from year to year and are therefore very elastic.

For accounting purposes, the Village classifies these revenues, along with expenditures, into the different funds types typically used by a municipal government, including governmental, enterprise, internal service, and fiduciary fund types. Provided on the following pages is an analysis of revenues and expenditures relating to the Village's major operating funds. Analyses of the primary source(s) of revenues as well as trends in those revenues are also provided

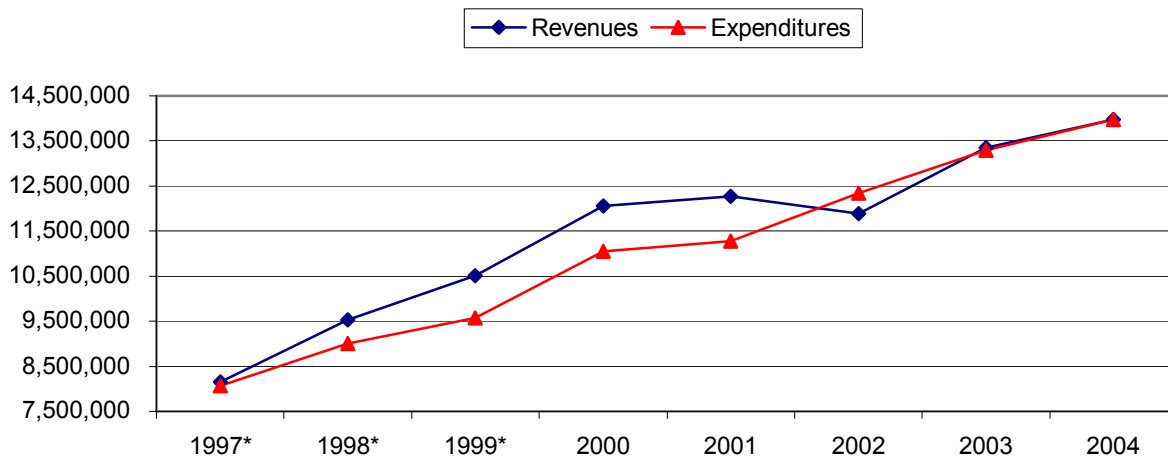
### *General Fund*

In terms of revenues and expenditures, the General Fund is the largest fund of the Village and it receives its revenues from a variety of sources and revenue types. During the period from 1997 to 2000, General Fund revenues were increasing at a faster rate than expenditures, primarily due to significant increases in Sales Tax revenue. From 2000 to 2001, however, the growth in revenues started to level off, followed by a projected decrease in revenues in 2003. As a result of this decline in revenues (primarily attributable to decreased sales tax revenue), the Village is forecasting that expenditures will exceed revenues in 2002.

Steps have been taken in the proposed 2003–2004 budget to adjust programs and services to compensate for the leveling off of Sales Tax revenue. This has been further complicated by the required increases in

expenditures to support the third Fire Station and maintain the improvements made to the Village Center and other Commercial areas.

### General Fund, Revenues and Expenditures, 1997 - 2004



\*These years end in April of the year indicated, the Village switched to a calendar fiscal year in 2000.

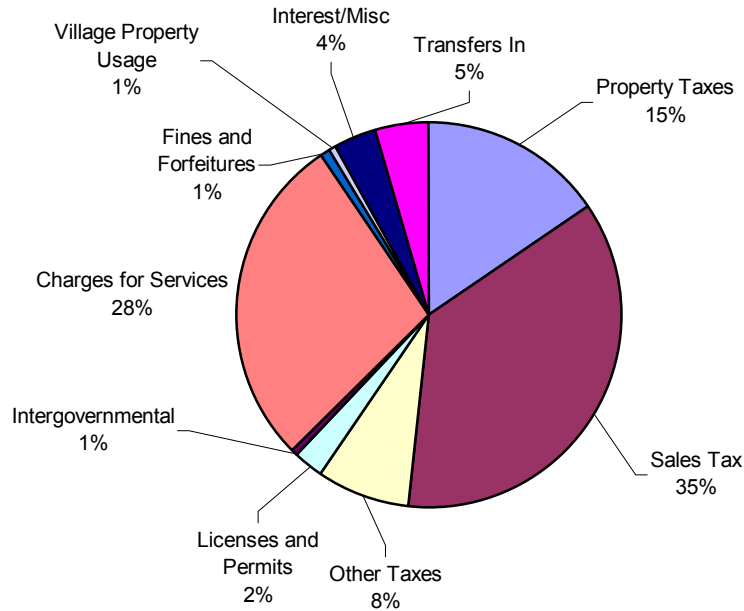
In a typical year the General Fund receives the majority of its revenue from four sources (as demonstrated by the graphic on the next page), these sources include:

- **Sales Tax** – In 2003 the General Fund is forecasted to receive \$4,578,191 (35.4% of its total revenues and a 1.2% increase from the projection for 2002) from Sales Tax; in 2004 the General Fund is forecasted to receive \$4,834,964 (35.6% of total revenues and a 5.6% increase from the projection from 2003). In 1998, Sales Tax revenues represented approximately 44% of total revenues, dropping to 43%, 41% and 38% in 1999, 2000 and 2001, respectively.
- **Charges for Services** – the General Fund will derive approximately 28% of its total revenues from Charges for Services. In 2003 Charges for Services is forecasted to be \$3,495,541 (29.15% of total revenues and a 18.03% increase from 2002); in 2004 the amount the General Fund will receive from Charges for Services is forecasted at \$4,016,197 (31.32% of total revenues and a 14.89% increase from the previous year).
- **Property Taxes** – the General Fund will receive 15% of its total revenue from Property Taxes. In 2003, the General Fund is forecasted to receive \$1,947,400 (15.1% of total revenues) from Property Taxes. In 2004, the General Fund is forecasted to receive \$2,083,900 (15.4% of total revenues) from Property Taxes. Property tax as a percent of total revenues has remained fairly constant since 1998.
- **Other Taxes** – In a typical year the General Fund derives 7% of its total revenues from Other Taxes. In 2003 Other Taxes are forecasted to be \$970,310 (7.5% of total revenues, a 33.7% increase); in 2004 the amount the General Fund will receive from Other Taxes is forecasted at \$980,597 (7.2% of total revenues and a 1.1% increase from the previous year).

### Typical Sources of General Fund Revenue

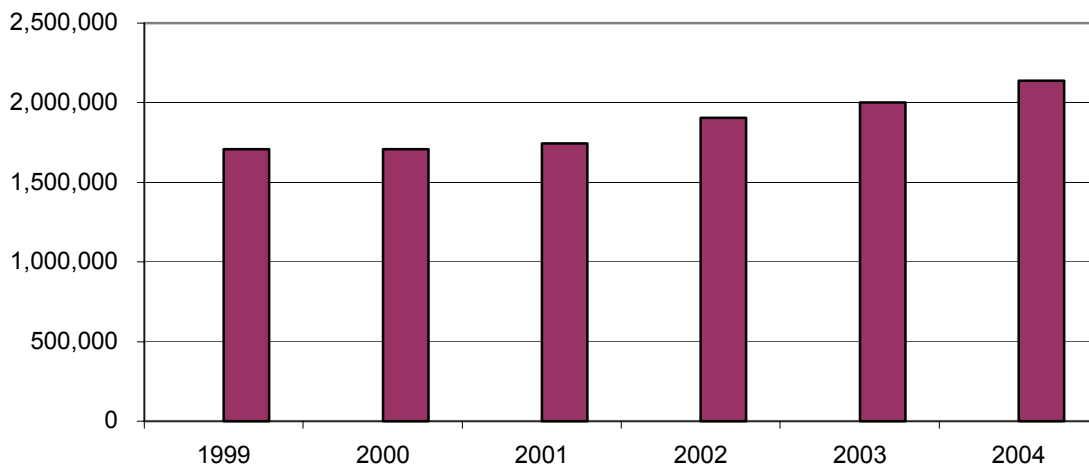
FY 2003 = \$12,560,624

FY 2004 = \$13,401,412



In terms of trends in major revenue sources, Village Property Tax receipts have been increasing for a number of years in response to the increase in property values and new construction. The Village has experienced increases in equalized assessed values for real estate for the past ten years. This trend is forecast to continue and should have a positive effect on Village Property Tax revenue.

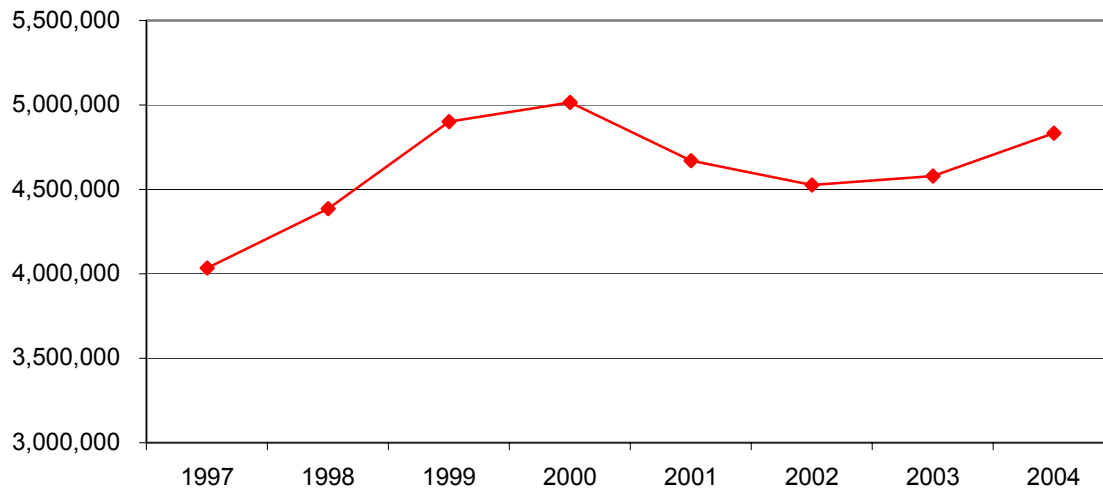
### Property Tax Revenue, 1999 - 2004



The Village experienced unprecedented growth in Sales Tax revenue in the mid to late 1990s and in 2000 fostered by the rapid growth in the economy. In 1997 the Village received slightly over \$4.0 million in Sales

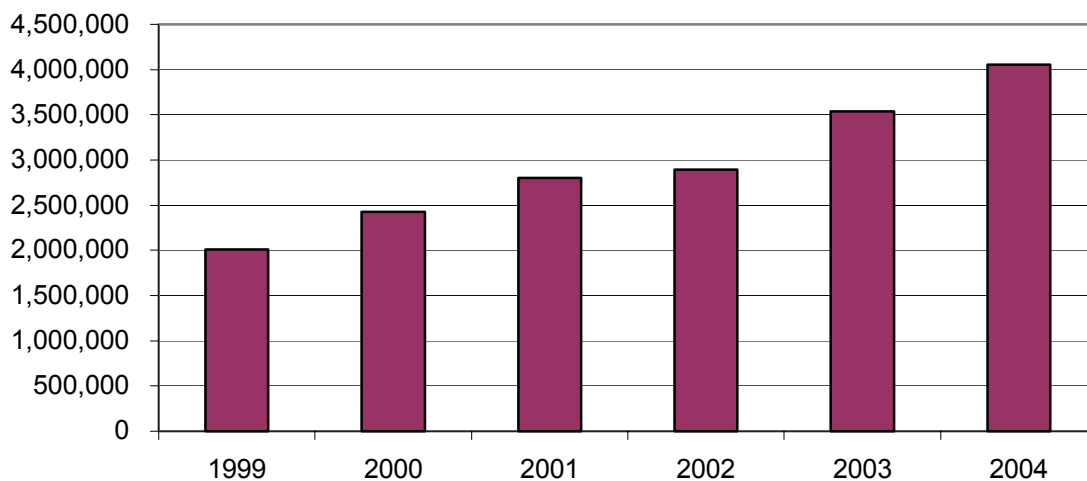
Tax revenue; this increased to slightly over \$5.0 million in 2000, a period of three years. However, in 2001 Sales Tax, in response to the downturn in the economy, declined approximately 6.5%, from \$5,014,257 in 2000 to \$4,670,622 in 2001. In 2002, a continued decline in Sales Tax revenue is forecasted. A 3.1% drop in sales tax revenues in 2002 to \$4,525,000 is currently forecasted. However, the Village is expecting a reversal in this downward trend in mid 2003 as retail development occurs in the Village Central and a new automobile dealership is brought to the Village and is therefore projecting a slight increase in Sales Tax revenue (1.2% to \$4,578,000) in 2003. In 2004, the Village is expecting the new retail development in the community and a recovery in the economy to increase sales tax revenue by 5.6% (for a total of \$4,834,964). This will still fall short of the total received in 2000.

### Sales Tax Revenue, 1997 - 2004



Charges for Services revenue typically increases at a steady rate in line with the expenditures relating to Public Safety. The vast majority of this revenue source is derived from the Village's intergovernmental agreements to provide services to Inverness (Police Services) and the Barrington Countryside Fire Protection

### Charges for Services Revenue, 1999 - 2004



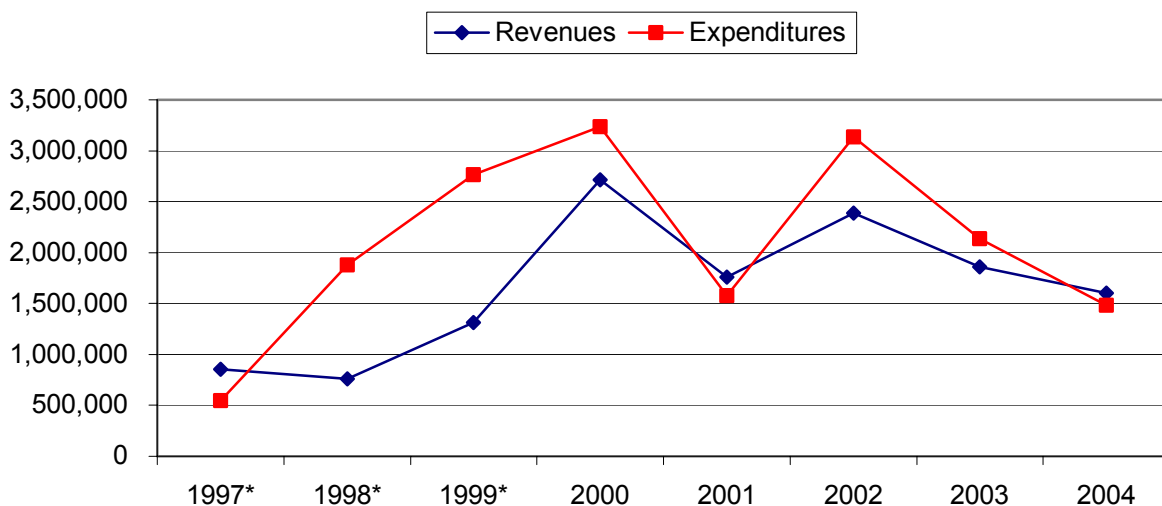
District (Fire Services). The revenue from these two agreements will increase significantly in 2003 and 2004 due to the renegotiation of the agreements and the sharing of the increased cost relating to the 3<sup>rd</sup> Fire station.

### *Capital Improvement Fund*

The Capital Improvement Fund is utilized by the Village to account for the revenues and expenditures related to Capital Projects (with the exception of those accounted for in the TIF or Water & Sewer Funds). The main source of revenue for the Capital Improvement Fund is Utility Taxes (*this is a change from previous budgets, in past years the Capital Improvement Fund derived a portion of its revenue from the Income Tax. In the 2003 – 2004 budget, the Income Tax has been allocated in full to the General Fund, in exchange, the Capital Improvement Fund is receiving the full amount of the Utility Taxes including the Infrastructure Maintenance Fees – In previous budgets the General Fund received the revenue from the Infrastructure Maintenance Fee, the exchange of revenues is offsetting and makes it easier for the Village to account for both revenues*). Secondary sources of revenue include Village Property Usage (*rental income for the use of Village facilities from Wireless Phone Providers*) and Intergovernmental. Intergovernmental revenue can be significant in some years due to the receipt of large grants, however, these are one time revenues and it is difficult to forecast when they may be received.

During the period from 1997 to 2000, the revenues in the Capital Improvement Fund, as anticipated, were not sufficient to cover expenditures, the Village made up the difference by transferring additional funds from the General Fund and issuing debt, as approved by referendum, (to pay for portions of the cost incurred in the construction of the new Village Hall and the Public Safety Building). In 2001, Capital Improvement Fund revenues covered all expenditures (there were no extraordinary expenditures in 2001). In 2002 expenditures spiked back above revenue received due to the purchase of a Church Property (which is proposed for use as a passive park and Public Safety memorial) and improvements made to the Bikeway system (a portion of which was offset by a grant, however, the Village did incur significant expenditures).

### **Capital Improvement Fund, Revenue & Expenditure Summary, 1997 - 2004**



\*These years end in April of the year indicated; none of the revenues or expenditures include transfers

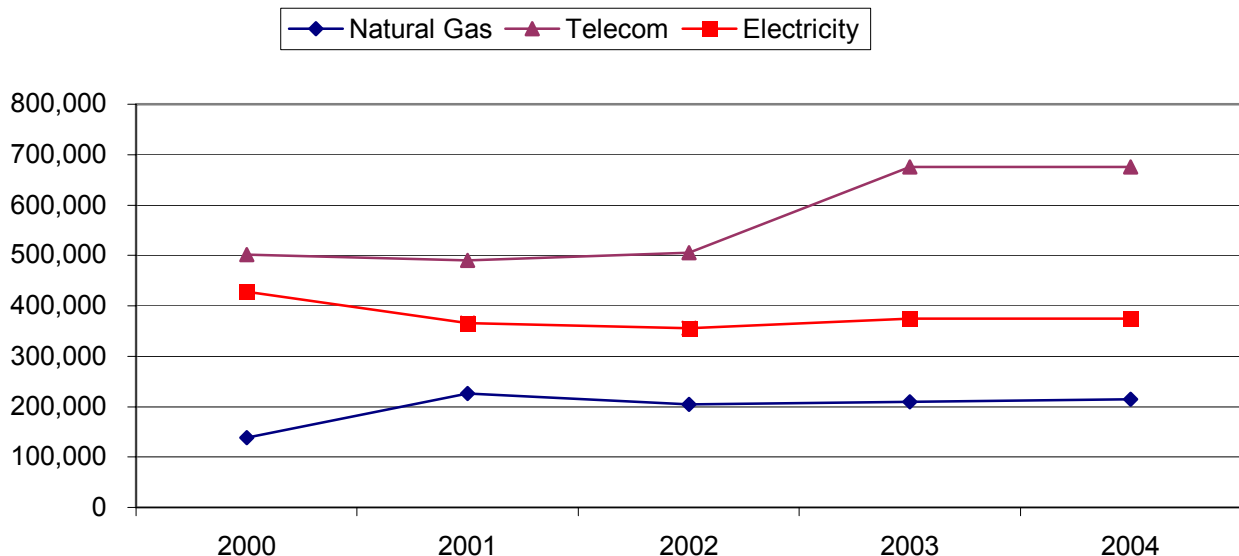
In the 2003 budget, expenditures exceed revenues due to the Route 14 reconstruction project and continued improvements to the Bikeway System. In 2004, the Capital Improvement Fund will receive sufficient revenue to offset all proposed expenditures (several projects such as a new public works facility have been

deferred in order to accomplish this). In each year, although the amount has been reduced, the Village is transferring money from the General Fund to the Capital Improvement Fund to offset expenditures.

The major revenue source for the Capital Improvement Fund is Utility Taxes. Due to an adjustment in the electric rate revenues declined in 2001 and leveled off in 2002. Natural gas revenues fell short of original projections due to the fact that information provided by the gas company on total revenues included areas outside of the Village's corporate limits. This resulted in a shortfall in the Village's projection of approximately 25%. Natural Gas revenues will temporarily be further impacted to a lesser degree due to deregulation. Telecommunication tax revenues have been more level than originally anticipated. It was anticipated that revenues from these taxes would increase at least at the current rate of inflation. To date this has not been the case. Given that construction costs increase at rates well above the current rate of inflation, this may impact the Village's ability to continue to annually fund capital projects at the current level. The spike in Telecommunication Tax revenue is a result of the exchange of revenue sources with the General Fund - Income Taxes for Infrastructure Maintenance Fees with the General Fund as discussed previously – not a true increase in total revenues.

- Electricity Tax – In 2003 the Capital Improvement Fund is forecasted to receive \$375,000 (20.2% of total revenues) from this source; in 2004 the Capital Improvement Fund is also forecasted to receive \$375,000 (23.4% of total revenues and less than a 1% increase from 2003).
- Natural Gas Tax – In 2003 the Capital Improvement Fund is forecasted to receive \$210,000 (11.3% of total revenues); in 2004 the Capital Improvement Fund is forecasted to receive \$215,000 (13.4% of total revenues).
- Telecommunications Tax – In 2004 the Capital Improvement Fund is forecasted to receive 36.3% of total revenues, for a total of \$685,000. In 2004, the General Fund is forecasted to receive \$690,000 (42.1% of total revenues) from the Telecommunications Tax.

### Capital Improvement Fund Utility Tax Revenue, 2000 - 2004



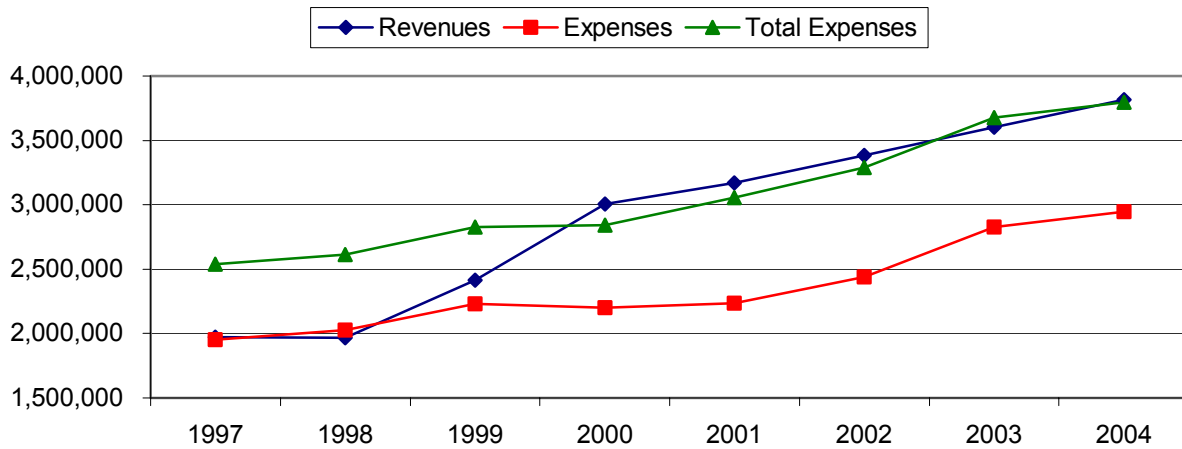
### Water and Sewer Fund

The Water and Sewer Fund is a Utility Enterprise Fund and therefore receives the majority of its revenues from Charges for Services. As demonstrated in the graph, in 1997 and 1998 before rates were adjusted, expenditures exceeded revenues.



In 2003 and 2004, operating revenues, inclusive of the annual 2% adjustment, are expected to exceed operating expenditures. Total in 2003 expenditures, due to capital projects, will, as anticipated due to the magnitude of these projects, exceed total revenues. The difference between operating revenues and operating expenditures is used to meet debt service obligations and annual capital maintenance.

### Water and Sewer Fund, Revenues and Expenses Summary, 1997 - 2004\*



\*Please note, Total Expenses include Depreciation and Debt Service expenses

### Recycling and Refuse Fund

The Recycling and Refuse Fund is a Utility Enterprise Funds and therefore receives the majority of its revenues from Charges for Services for Recycling and Refuse collections. As demonstrated in the graph, expenditures exceeded revenues from 1997 to 2002, these expenditures were offset by a transfer from the General Fund. In 2003 and 2004, total projected revenues inclusive of the proposed 2% adjustment should be sufficient to just cover projected expenditures.

### Recycling and Refuse Fund, Operating Revenue and Expenditure Summary, 1997 - 2004

